

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
First Regular Session  
2007

# HOUSE BILL 2311

AN ACT

AMENDING SECTIONS 38-783 AND 38-817, ARIZONA REVISED STATUTES; AMENDING SECTION 38-857, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 297, SECTION 3; AMENDING SECTION 38-857, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2004, CHAPTER 325, SECTION 6; AMENDING SECTION 38-906, ARIZONA REVISED STATUTES; RELATING TO PUBLIC RETIREES' HEALTH INSURANCE SUBSIDIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-783, Arizona Revised Statutes, is amended to  
3 read:

4 38-783. Retired members; dependents; health insurance; premium  
5 payment; separate account; definitions

6 A. Subject to subsections J, K and L of this section, the board shall  
7 pay from ASRS assets part of the single coverage premium of any health and  
8 accident insurance for each retired, contingent annuitant or disabled member  
9 of ASRS if the member elects to participate in the coverage provided by ASRS  
10 or section 38-651.01 or elects to participate in a health and accident  
11 insurance program provided or administered by an employer or paid for, in  
12 whole or in part, by an employer to an insurer. A contingent annuitant must  
13 be receiving a monthly retirement benefit from ASRS in order to obtain any  
14 premium payment provided by this section. The board shall pay:

15 1. Up to one hundred fifty dollars per month for a member of ASRS who  
16 is not eligible for medicare if the retired or disabled member has ten or  
17 more years of credited service.

18 2. Up to one hundred dollars per month for each member of ASRS who is  
19 eligible for medicare if the retired or disabled member has ten or more years  
20 of credited service.

21 B. Subject to subsections J, K and L of this section, the board shall  
22 pay from ASRS assets part of the family coverage premium of any health and  
23 accident insurance for a retired, contingent annuitant or disabled member of  
24 ASRS who elects family coverage and who otherwise qualifies for payment  
25 pursuant to subsection A of this section. If a member of ASRS and the  
26 member's spouse are both either retired or disabled under ASRS and apply for  
27 family coverage, the member who elects family coverage is entitled to receive  
28 the payments under this section as if they were both applying under a single  
29 coverage premium unless the payment under this section for family coverage is  
30 greater. Payment under this subsection is in the following amounts:

31 1. Up to two hundred sixty dollars per month if the member of ASRS and  
32 one or more dependents are not eligible for medicare.

33 2. Up to one hundred seventy dollars per month if the member of ASRS  
34 and one or more dependents are eligible for medicare.

35 3. Up to two hundred fifteen dollars per month if either:

36 (a) The member of ASRS is not eligible for medicare and one or more  
37 dependents are eligible for medicare.

38 (b) The member of ASRS is eligible for medicare and one or more  
39 dependents are not eligible for medicare.

40 C. In addition each retired, contingent annuitant or disabled member  
41 of ASRS with less than ten years of credited service and a dependent of such  
42 a retired, contingent annuitant or disabled member who elects to participate  
43 in the coverage provided by ASRS or section 38-651.01 or who elects to  
44 participate in a health and accident insurance program provided or  
45 administered by an employer or paid for, in whole or in part, by an employer

1 to an insurer is entitled to receive a proportion of the full benefit  
2 prescribed by subsection A, B, E, F, O or P of this section according to the  
3 following schedule:

- 4 1. 9.0 to 9.9 years of credited service, ninety per cent.
- 5 2. 8.0 to 8.9 years of credited service, eighty per cent.
- 6 3. 7.0 to 7.9 years of credited service, seventy per cent.
- 7 4. 6.0 to 6.9 years of credited service, sixty per cent.
- 8 5. 5.0 to 5.9 years of credited service, fifty per cent.
- 9 6. Those with less than five years of credited service do not qualify  
10 for the benefit.

11 D. The board shall not pay more than the amount prescribed in this  
12 section for a member of ASRS.

13 E. In addition to the payments provided by subsection A of this  
14 section, through June 30, 2005, the board shall pay an insurance premium  
15 benefit for medical coverage, not including limited benefit coverage as  
16 defined in section 20-1137, for each retired, contingent annuitant or  
17 disabled member of ASRS who is eligible for a premium benefit payment  
18 pursuant to subsection A of this section and who lives in a nonservice area  
19 as follows:

20 1. Up to three hundred dollars per month for a member of ASRS who is  
21 not eligible for medicare if the retired or disabled member has ten or more  
22 years of credited service. To qualify for this additional benefit, a retired  
23 or disabled member of ASRS shall pay out-of-pocket medical insurance premiums  
24 of at least one hundred twenty-five dollars per month.

25 2. Up to one hundred seventy dollars per month for a member of ASRS  
26 who is eligible for medicare if the retired or disabled member has ten or  
27 more years of credited service. To qualify for this additional benefit, a  
28 retired or disabled member of ASRS shall pay out-of-pocket medical insurance  
29 premiums of at least one hundred dollars per month.

30 F. In addition to the payments provided by subsection B of this  
31 section, through June 30, 2005, the board shall pay from ASRS assets part of  
32 the family coverage premium for medical coverage, not including limited  
33 benefit coverage as defined in section 20-1137, for a retired, contingent  
34 annuitant or disabled member of ASRS who is eligible for a premium benefit  
35 payment pursuant to subsection B of this section, who is enrolled in a family  
36 medical plan and who lives in a nonservice area as follows:

37 1. Up to six hundred dollars per month if the member of ASRS and one  
38 or more dependents are not eligible for medicare and the retired or disabled  
39 member of ASRS has ten or more years of credited service. To qualify for  
40 this additional benefit, a retired or disabled member shall pay out-of-pocket  
41 medical insurance premiums of at least four hundred twenty-five dollars per  
42 month.

43 2. Up to three hundred fifty dollars per month if the member of ASRS  
44 and one or more dependents are eligible for medicare and the retired or  
45 disabled member of ASRS has ten or more years of credited service. To

1 qualify for this additional benefit, a retired or disabled member shall pay  
2 out-of-pocket medical insurance premiums of at least two hundred dollars per  
3 month.

4 3. If the retired or disabled member of ASRS has ten or more years of  
5 credited service, up to four hundred seventy dollars per month if either:

6 (a) The member of ASRS is not eligible for medicare and one or more  
7 dependents are eligible for medicare.

8 (b) The member of ASRS is eligible for medicare and one or more  
9 dependents are not eligible for medicare.

10 To qualify for this additional benefit, a retired or disabled member shall  
11 pay out-of-pocket medical insurance premiums of at least four hundred dollars  
12 per month.

13 G. A retired, contingent annuitant or disabled member of ASRS who is  
14 enrolled in a managed care program in a nonservice area is not eligible for  
15 the payment prescribed in subsection E, F, O or P of this section ~~if the~~  
16 ~~member terminates coverage under the managed care program.~~

17 H. A retired, contingent annuitant or disabled member of ASRS may  
18 elect to purchase individual health care coverage and receive a payment  
19 pursuant to this section through the retired or disabled member's employer if  
20 that employer assumes the administrative functions associated with the  
21 payment, including verification that the payment is used to pay for health  
22 insurance coverage if the payment is made to the retired or disabled member.

23 I. The board shall establish a separate account that consists of the  
24 benefits provided by this section. The board shall not use or divert any  
25 part of the corpus or income of the account for any purpose other than the  
26 provision of benefits under this section unless the liabilities of ASRS to  
27 provide the benefits are satisfied. If the liabilities of ASRS to provide  
28 the benefits described in this section are satisfied, the board shall return  
29 any amount remaining in the account to the employer.

30 J. Payment of the benefits provided by this section is subject to the  
31 following conditions:

32 1. The payment of the benefits is subordinate to the payment of  
33 retirement benefits payable by ASRS.

34 2. The total of contributions for the benefits and actual  
35 contributions for life insurance protection, if any, shall not exceed  
36 twenty-five per cent of the total actual employer and employee contributions  
37 to ASRS, less contributions to fund past service credits, after the day the  
38 account is established.

39 3. The board shall deposit the benefits provided by this section in  
40 the account.

41 4. The contributions by the employer to the account shall be  
42 reasonable and ascertainable.

43 K. A member who elects to receive a retirement benefit pursuant to  
44 section 38-760, subsection B, paragraph 1 may elect at the time of retirement

1 an optional form of health and accident insurance premium benefit payment  
2 pursuant to this subsection as follows:

3 1. The optional premium benefit payment shall be an amount prescribed  
4 by subsection A, B, C, E, F, O or P of this section that is actuarially  
5 reduced to the retiring member for life. The amount of the optional premium  
6 benefit payment shall be the actuarial equivalent of the premium benefit  
7 payment to which the retired member would otherwise be entitled. The  
8 election in a manner prescribed by the board shall name the contingent  
9 annuitant and may be revoked at any time before the retiring member's  
10 effective date of retirement. At any time after benefits have commenced, the  
11 member may name a different contingent annuitant or rescind the election by  
12 written notice to the board as follows:

13 (a) If the retired member names a different contingent annuitant, the  
14 optional premium benefit payment shall be adjusted to the actuarial  
15 equivalent of the original premium benefit payment based on the age of the  
16 new contingent annuitant. The adjustment shall include all postretirement  
17 increases or decreases in amounts prescribed by subsection A, B, C, E, F, O  
18 or P of this section that are authorized by law after the retired member's  
19 date of retirement. Payment of this adjusted premium benefit payment shall  
20 continue under the provisions of the optional premium benefit payment  
21 previously elected by the retired member. A retired member cannot name a  
22 different contingent annuitant if the retired member has at any time  
23 rescinded the optional form of health and accident insurance premium benefit  
24 payment.

25 (b) If the retired member rescinds the election, the retired member  
26 shall thereafter receive the premium benefit payment that the retired member  
27 would otherwise be entitled to receive if the retired member had not elected  
28 the optional premium benefit payment, including all postretirement increases  
29 or decreases in amounts prescribed by subsection A, B, C, E, F, O or P of  
30 this section that are authorized by law after the member's date of  
31 retirement. The increased benefit payment shall continue during the  
32 remainder of the retired member's lifetime. The decision to rescind shall be  
33 irrevocable.

34 2. If, at the time of the retired member's death:

35 (a) The retired member was receiving a reduced premium benefit payment  
36 based on an amount prescribed in subsection B, C, F or P of this section and  
37 the contingent annuitant is eligible for family health and accident insurance  
38 coverage, the contingent annuitant is entitled to receive a premium benefit  
39 payment based on an amount prescribed in subsection B, C, F or P of this  
40 section times the reduction factor applied to the retired member's premium  
41 benefit payment times the joint and survivor option reduction factor elected  
42 by the retired member at the time of retirement pursuant to section 38-760,  
43 subsection B, paragraph 1.

44 (b) The retired member was receiving a reduced premium benefit payment  
45 based on an amount prescribed in subsection A, C, E or O of this section and

1 the contingent annuitant is eligible for single health and accident insurance  
2 coverage, the contingent annuitant is entitled to receive a premium benefit  
3 payment based on an amount prescribed in subsection A, C, E or O of this  
4 section times the reduction factor applied to the retired member's premium  
5 benefit payment times the joint and survivor option reduction factor elected  
6 by the retired member at the time of retirement pursuant to section 38-760,  
7 subsection B, paragraph 1.

8 (c) The retired member was receiving a reduced premium benefit payment  
9 based on an amount prescribed in subsection B, C, F or P of this section and  
10 the contingent annuitant is not eligible for family health and accident  
11 insurance coverage, the contingent annuitant is entitled to receive a premium  
12 benefit payment based on an amount prescribed in subsection A, C, E or O of  
13 this section times the reduction factor applied to the retired member's  
14 premium benefit payment times the joint and survivor option reduction factor  
15 elected by the retired member at the time of retirement pursuant to section  
16 38-760, subsection B, paragraph 1.

17 L. A member who elects to receive a retirement benefit pursuant to  
18 section 38-760, subsection B, paragraph 2 may elect at the time of retirement  
19 an optional form of health and accident insurance premium benefit payment  
20 pursuant to this subsection as follows:

21 1. The optional premium benefit payment shall be an amount prescribed  
22 by subsection A, B, C, E, F, O or P of this section that is actuarially  
23 reduced with payments for five, ten or fifteen years that are not dependent  
24 on the continued lifetime of the retired member but whose payments continue  
25 for the retired member's lifetime beyond the five, ten or fifteen year  
26 period. The election in a manner prescribed by the board shall name the  
27 contingent annuitant and may be revoked at any time before the retiring  
28 member's effective date of retirement. At any time after benefits have  
29 commenced, the member may name a different contingent annuitant or rescind  
30 the election by written notice to the board. If the retired member rescinds  
31 the election, the retired member shall thereafter receive the premium benefit  
32 payment that the retired member would otherwise be entitled to receive if the  
33 retired member had not elected the optional premium benefit payment,  
34 including all postretirement increases or decreases in amounts prescribed by  
35 subsection A, B, C, E, F, O or P of this section that are authorized by law  
36 after the member's date of retirement. The increased benefit payment shall  
37 continue during the remainder of the retired member's lifetime. The decision  
38 to rescind shall be irrevocable.

39 2. If, at the time of the retired member's death:

40 (a) The retired member was receiving a reduced premium benefit payment  
41 based on an amount prescribed in subsection B, C, F or P of this section and  
42 the contingent annuitant is eligible for family health and accident insurance  
43 coverage, the contingent annuitant is entitled to receive a premium benefit  
44 payment based on an amount prescribed in subsection B, C, F or P of this  
45 section times the period certain and life option reduction factor elected by

1 the retired member at the time of retirement pursuant to section 38-760,  
2 subsection B, paragraph 2.

3 (b) The retired member was receiving a reduced premium benefit payment  
4 based on an amount prescribed in subsection A, C, E or O of this section and  
5 the contingent annuitant is eligible for single health and accident insurance  
6 coverage, the contingent annuitant is entitled to receive a premium benefit  
7 payment based on an amount prescribed in subsection A, C, E or O of this  
8 section times the period certain and life option reduction factor elected by  
9 the retired member at the time of retirement pursuant to section 38-760,  
10 subsection B, paragraph 2.

11 (c) The retired member was receiving a reduced premium benefit payment  
12 based on an amount prescribed in subsection B, C, F or P of this section and  
13 the contingent annuitant is not eligible for family health and accident  
14 insurance coverage, the contingent annuitant is entitled to receive a premium  
15 benefit payment based on an amount prescribed in subsection A, C, E or O of  
16 this section times the period certain and life option reduction factor  
17 elected by the retired member at the time of retirement pursuant to section  
18 38-760, subsection B, paragraph 2.

19 M. If, at the time of retirement, a retiring member does not elect to  
20 receive a reduced premium benefit payment pursuant to subsection K or L of  
21 this section, the retired member's contingent annuitant is not eligible at  
22 any time for the optional premium benefit payment.

23 N. A contingent annuitant is not eligible for any premium benefit  
24 payment if the contingent annuitant was not enrolled in an eligible health  
25 and accident insurance plan at the time of the retired member's death or if  
26 the contingent annuitant is not the dependent beneficiary or insured  
27 surviving dependent as provided in section 38-782.

28 O. In addition to the payments provided by subsection A of this  
29 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the board shall  
30 pay an insurance premium benefit for medical coverage, not including limited  
31 benefit coverage as defined in section 20-1137, for each medicare eligible  
32 retired, contingent annuitant or disabled member of ASRS who is eligible for  
33 a premium benefit payment pursuant to subsection A of this section and who  
34 lives in a nonservice area of up to one hundred seventy dollars per month for  
35 a member of ASRS who is eligible for medicare if the retired or disabled  
36 member has ten or more years of credited service. To qualify for this  
37 additional benefit, a retired or disabled member of ASRS shall pay  
38 out-of-pocket medical insurance premiums of at least one hundred dollars per  
39 month.

40 P. In addition to the payments provided by subsection B of this  
41 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the board shall  
42 pay from ASRS assets part of the family coverage premium for medical  
43 coverage, not including limited benefit coverage as defined in section  
44 20-1137, for a medicare eligible retired, contingent annuitant or disabled  
45 member of ASRS who is eligible for a premium benefit payment pursuant to

1 subsection B of this section, who is enrolled in a family medical plan and  
2 who lives in a nonservice area as follows:

3 1. Up to three hundred fifty dollars per month if the member of ASRS  
4 and one or more dependents are eligible for medicare and the retired or  
5 disabled member of ASRS has ten or more years of credited service. To  
6 qualify for this additional benefit, a retired or disabled member shall pay  
7 out-of-pocket medical insurance premiums of at least two hundred dollars per  
8 month.

9 2. If the retired or disabled member of ASRS has ten or more years of  
10 credited service, up to four hundred seventy dollars per month if the member  
11 of ASRS is eligible for medicare and one or more dependents are not eligible  
12 for medicare. To qualify for this additional benefit, a retired or disabled  
13 member shall pay out-of-pocket medical insurance premiums of at least four  
14 hundred dollars per month.

15 Q. For the purposes of this section:

16 1. "Account" means the separate account established pursuant to  
17 subsection I of this section.

18 2. "Credited service" includes prior service.

19 3. "Nonservice area" means an area in this state in which ASRS  
20 pursuant to section 38-782, the department of administration pursuant to  
21 section 38-651.01 or any employer does not provide or administer a health  
22 care services organization program, excluding any preferred provider  
23 organization program or individual health indemnity policy, for which the  
24 retired, contingent annuitant or disabled member of ASRS is eligible.

25 4. "Prior service" means service for this state or a political  
26 subdivision of this state before membership in the defined contribution  
27 program administered by ASRS.

28 Sec. 2. Section 38-817, Arizona Revised Statutes, is amended to read:

29 38-817. Group health and accident coverage for retired members;  
30 payment; definition

31 A. The fund manager shall pay from the assets of the fund part of the  
32 single coverage premium of any group health and accident insurance for each  
33 retired member or survivor of the elected officials' retirement plan who  
34 receives a pension if the retired member had eight or more years of credited  
35 service under the plan. In order to qualify for payment pursuant to this  
36 subsection, the retired member or survivor shall elect single coverage and  
37 must have elected to participate in the coverage provided in section  
38 38-651.01 or 38-782 or any other health and accident insurance coverage  
39 provided or administered by a participating employer of the elected  
40 officials' retirement plan. The fund manager shall pay up to:

41 1. One hundred fifty dollars per month for each retired member or  
42 survivor of the plan who is not eligible for medicare.

43 2. One hundred dollars per month for each retired member or survivor  
44 of the plan who is eligible for medicare.

1           B. The fund manager shall pay from the assets of the fund part of the  
2 family coverage premium of any group health and accident insurance each month  
3 for a benefit recipient who elects family coverage and who otherwise  
4 qualifies for payment pursuant to subsection A of this section. The fund  
5 manager shall pay up to:

6           1. Two hundred sixty dollars per month if the retired member or  
7 survivor of the plan and one or more dependents are not eligible for  
8 medicare.

9           2. One hundred seventy dollars per month if the retired member or  
10 survivor of the plan and one or more dependents are eligible for medicare.

11           3. Two hundred fifteen dollars per month if either:

12           (a) The retired member or survivor of the plan is not eligible for  
13 medicare and one or more dependents are eligible for medicare.

14           (b) The retired member or survivor of the plan is eligible for  
15 medicare and one or more dependents are not eligible for medicare.

16           C. Each retired member or survivor of the plan with less than eight  
17 years of credited service and a dependent of such a retired member or  
18 survivor who participates in the coverage provided by section 38-651.01 or  
19 38-782 or who participates in any other health and accident insurance  
20 coverage provided or administered by a participating employer of the plan is  
21 entitled to receive a proportion of the full benefit prescribed by subsection  
22 A, B, E, F, G or H of this section according to the following schedule:

23           1. 7.0 to 7.9 years of credited service, ninety per cent.

24           2. 6.0 to 6.9 years of credited service, seventy-five per cent.

25           3. 5.0 to 5.9 years of credited service, sixty per cent.

26           4. Those with less than five years of credited service do not qualify  
27 for the benefit.

28           D. The fund manager shall not pay more than the amount prescribed in  
29 this section for a benefit recipient as a member or survivor of the plan.

30           E. In addition to the payments provided by subsection A of this  
31 section, through June 30, 2005, the fund manager shall pay an insurance  
32 premium benefit for medical coverage, not including limited benefit coverage  
33 as defined in section 20-1137, for each retired member or survivor of the  
34 plan who is entitled to a premium benefit payment pursuant to subsection A of  
35 this section and who lives in a nonservice area as follows:

36           1. Up to three hundred dollars per month for a retired member or  
37 survivor of the plan who is not eligible for medicare and who has eight or  
38 more years of credited service. To qualify for this additional benefit, a  
39 retired member or survivor shall pay out-of-pocket medical insurance premiums  
40 of at least one hundred twenty-five dollars per month.

41           2. Up to one hundred seventy dollars per month for a retired member or  
42 survivor of the plan who is eligible for medicare and who has eight or more  
43 years of credited service. To qualify for this additional benefit, a retired  
44 member or survivor shall pay out-of-pocket medical insurance premiums of at  
45 least one hundred dollars per month.

1 F. In addition to the payments provided by subsection B of this  
2 section, through June 30, 2005, the fund manager shall pay an insurance  
3 premium benefit for medical coverage, not including limited benefit coverage  
4 as defined in section 20-1137, for a retired member or survivor of the plan  
5 who is entitled to a premium benefit payment pursuant to subsection B of this  
6 section, who is enrolled in a family medical plan and who lives in a  
7 nonservice area as follows:

8 1. Up to six hundred dollars per month if the retired member or  
9 survivor of the plan and one or more dependents are not eligible for medicare  
10 and the retired member or survivor of the plan has eight or more years of  
11 credited service. To qualify for this additional benefit, a retired member  
12 or survivor shall pay out-of-pocket medical insurance premiums of at least  
13 four hundred twenty-five dollars per month.

14 2. Up to three hundred fifty dollars per month if the retired member  
15 or survivor of the plan and one or more dependents are eligible for medicare  
16 and the retired member or survivor of the plan has eight or more years of  
17 credited service. To qualify for this additional benefit, a retired member  
18 or survivor shall pay out-of-pocket medical insurance premiums of at least  
19 two hundred dollars per month.

20 3. If the retired member or survivor of the plan has eight or more  
21 years of credited service, up to four hundred seventy dollars per month if  
22 either:

23 (a) The retired member or survivor of the plan is not eligible for  
24 medicare and one or more dependents are eligible for medicare.

25 (b) The retired member or survivor of the plan is eligible for  
26 medicare and one or more dependents are not eligible for medicare.

27 To qualify for this additional benefit, a retired member or survivor shall  
28 pay out-of-pocket medical insurance premiums of at least four hundred dollars  
29 per month.

30 G. In addition to the payments provided by subsection A of this  
31 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager  
32 shall pay an insurance premium benefit for medical coverage, not including  
33 limited benefit coverage as defined in section 20-1137, for each medicare  
34 eligible retired member or survivor of the plan who is entitled to a premium  
35 benefit payment pursuant to subsection A of this section and who lives in a  
36 nonservice area of up to one hundred seventy dollars per month for a retired  
37 member or survivor of the plan who is eligible for medicare and who has eight  
38 or more years of credited service. To qualify for this additional benefit, a  
39 retired member or survivor shall pay out-of-pocket medical insurance premiums  
40 of at least one hundred dollars per month.

41 H. In addition to the payments provided by subsection B of this  
42 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager  
43 shall pay an insurance premium benefit for medical coverage, not including  
44 limited benefit coverage as defined in section 20-1137, for a medicare  
45 eligible retired member or survivor of the plan who is entitled to a premium

1 benefit payment pursuant to subsection B of this section, who is enrolled in  
2 a family medical plan and who lives in a nonservice area as follows:

3 1. Up to three hundred fifty dollars per month if the retired member  
4 or survivor of the plan and one or more dependents are eligible for medicare  
5 and the retired member or survivor of the plan has eight or more years of  
6 credited service. To qualify for this additional benefit, a retired member  
7 or survivor shall pay out-of-pocket medical insurance premiums of at least  
8 two hundred dollars per month.

9 2. If the retired member or survivor of the plan has eight or more  
10 years of credited service, up to four hundred seventy dollars per month  
11 if the retired member or survivor of the plan is eligible for medicare and  
12 one or more dependents are not eligible for medicare. To qualify for this  
13 additional benefit, a retired member or survivor shall pay out-of-pocket  
14 medical insurance premiums of at least four hundred dollars per month.

15 I. A retired member or survivor of the plan who is enrolled in a  
16 managed care program in a nonservice area is not eligible for the payment  
17 prescribed in subsection E, F, G or H of this section ~~if the member~~  
18 ~~terminates coverage under the managed care program.~~

19 J. A retired member or survivor of the plan may elect to purchase  
20 individual health care coverage and receive a payment pursuant to this  
21 section through the retired member's employer if that employer assumes the  
22 administrative functions associated with the payment, including verification  
23 that the payment is used to pay for health insurance coverage if the payment  
24 is made to the retired member or survivor of the plan.

25 K. For the purposes of this section, "nonservice area" means an area  
26 in this state in which the Arizona state retirement system pursuant to  
27 section 38-782, the department of administration pursuant to section  
28 38-651.01 or the member's or survivor's participating employer does not  
29 provide or administer a health care services organization program, excluding  
30 any preferred provider organization program or individual health indemnity  
31 policy, for which the retired member or survivor of the plan is eligible.

32 Sec. 3. Section 38-857, Arizona Revised Statutes, as amended by Laws  
33 2005, chapter 297, section 3, is amended to read:

34 38-857. Group health and accident coverage for retired members;  
35 payment; definition

36 A. The fund manager of the public safety personnel retirement system  
37 shall pay part of the single coverage premium of any group health and  
38 accident insurance for each retired member or survivor of the system who  
39 receives a pension and who has elected to participate in the coverage  
40 provided by section 38-651.01 or 38-782 or any other health and accident  
41 insurance coverage provided or administered by a participating employer of  
42 the system. The fund manager shall pay up to:

43 1. One hundred fifty dollars per month for each retired member or  
44 survivor of the system who is not eligible for medicare.

1           2. One hundred dollars per month for each retired member or survivor  
2 of the system who is eligible for medicare.

3           B. The fund manager of the system shall pay from assets of the fund  
4 part of the family coverage premium of any group health and accident  
5 insurance each month for a benefit recipient who elects family coverage and  
6 otherwise qualifies for payment pursuant to subsection A of this  
7 section. The fund manager shall pay up to:

8           1. Two hundred sixty dollars per month if the retired member or  
9 survivor of the system and one or more dependents are not eligible for  
10 medicare.

11           2. One hundred seventy dollars per month if the retired member or  
12 survivor of the system and one or more dependents are eligible for medicare.

13           3. Two hundred fifteen dollars per month if either:

14           (a) The retired member or survivor of the system is not eligible for  
15 medicare and one or more dependents are eligible for medicare.

16           (b) The retired member or survivor of the system is eligible for  
17 medicare and one or more dependents are not eligible for medicare.

18           C. The fund manager shall not pay from assets of the fund more than  
19 the amount prescribed in this section for a benefit recipient as a member or  
20 survivor of the system.

21           D. This section does not apply to a retired member or survivor of the  
22 system who is reemployed by this state or a political subdivision of this  
23 state and who participates in coverage provided by this state or a political  
24 subdivision of this state as an active employee.

25           E. In addition to the payments provided by subsection A of this  
26 section, through June 30, 2005, the fund manager shall pay an insurance  
27 premium benefit for medical coverage, not including limited benefit coverage  
28 as defined in section 20-1137, for each retired member or survivor of the  
29 system who is entitled to a premium benefit payment pursuant to subsection A  
30 of this section and who lives in a nonservice area as follows:

31           1. Up to three hundred dollars per month for a retired member or  
32 survivor of the system who is not eligible for medicare. To qualify for this  
33 additional benefit, a retired member or survivor shall pay out-of-pocket  
34 medical insurance premiums of at least one hundred twenty-five dollars per  
35 month.

36           2. Up to one hundred seventy dollars per month for a retired member or  
37 survivor of the system who is eligible for medicare. To qualify for this  
38 additional benefit, a retired member or survivor shall pay out-of-pocket  
39 medical insurance premiums of at least one hundred dollars per month.

40           F. In addition to the payments provided by subsection B of this  
41 section, through June 30, 2005, the fund manager shall pay an insurance  
42 premium benefit for medical coverage, not including limited benefit coverage  
43 as defined in section 20-1137, for a retired member or survivor of the system  
44 who is entitled to a premium benefit payment pursuant to subsection B of this

1 section, who is enrolled in a family medical plan and who lives in a  
2 nonservice area as follows:

3 1. Up to six hundred dollars per month if the retired member or  
4 survivor of the system and one or more dependents are not eligible for  
5 medicare. To qualify for this additional benefit, a retired member or  
6 survivor shall pay out-of-pocket medical insurance premiums of at least four  
7 hundred twenty-five dollars per month.

8 2. Up to three hundred fifty dollars per month if the retired member  
9 or survivor of the system and one or more dependents are eligible for  
10 medicare. To qualify for this additional benefit, a retired member or  
11 survivor shall pay out-of-pocket medical insurance premiums of at least two  
12 hundred dollars per month.

13 3. Up to four hundred seventy dollars per month if either:

14 (a) The retired member or survivor of the system is not eligible for  
15 medicare and one or more dependents are eligible for medicare.

16 (b) The retired member or survivor of the system is eligible for  
17 medicare and one or more dependents are not eligible for medicare.

18 To qualify for this additional benefit, a retired member or survivor shall  
19 pay out-of-pocket medical insurance premiums of at least four hundred dollars  
20 per month.

21 G. In addition to the payments provided by subsection A of this  
22 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager  
23 shall pay an insurance premium benefit for medical coverage, not including  
24 limited benefit coverage as defined in section 20-1137, for each medicare  
25 eligible retired member or survivor of the system who is entitled to a  
26 premium benefit payment pursuant to subsection A of this section and who  
27 lives in a nonservice area of up to one hundred seventy dollars per month for  
28 a retired member or survivor of the system who is eligible for medicare. To  
29 qualify for this additional benefit, a retired member or survivor shall pay  
30 out-of-pocket medical insurance premiums of at least one hundred dollars per  
31 month.

32 H. In addition to the payments provided by subsection B of this  
33 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager  
34 shall pay an insurance premium benefit for medical coverage, not including  
35 limited benefit coverage as defined in section 20-1137, for a medicare  
36 eligible retired member or survivor of the system who is entitled to a  
37 premium benefit payment pursuant to subsection B of this section, who is  
38 enrolled in a family medical plan and who lives in a nonservice area as  
39 follows:

40 1. Up to three hundred fifty dollars per month if the retired member  
41 or survivor of the system and one or more dependents are eligible for  
42 medicare. To qualify for this additional benefit, a retired member or  
43 survivor shall pay out-of-pocket medical insurance premiums of at least two  
44 hundred dollars per month.

1           2. Up to four hundred seventy dollars per month if the retired member  
2 or survivor of the system is eligible for medicare and one or more dependents  
3 are not eligible for medicare. To qualify for this additional benefit, a  
4 retired member or survivor shall pay out-of-pocket medical insurance premiums  
5 of at least four hundred dollars per month.

6           I. A retired member or survivor of the system who is enrolled in a  
7 managed care program in a nonservice area is not eligible for the payment  
8 prescribed in subsection E, F, G or H of this section ~~if the member~~  
9 ~~terminates coverage under the managed care program.~~

10          J. A retired member or survivor of the system may elect to purchase  
11 individual health care coverage and receive a payment pursuant to this  
12 section through the retired member's employer if that employer assumes the  
13 administrative functions associated with the payment, including verification  
14 that the payment is used to pay for health insurance coverage if the payment  
15 is made to the retired member or survivor of the system.

16          K. For the purposes of this section, "nonservice area" means an area  
17 in this state in which the Arizona state retirement system pursuant to section  
18 38-782, the department of administration pursuant to section  
19 38-651.01 or the member's or survivor's participating employer does not  
20 provide or administer a health care services organization program, excluding  
21 any preferred provider organization program or individual health indemnity  
22 policy, for which the retired member or survivor of the system is eligible.

23          Sec. 4. Section 38-857, Arizona Revised Statutes, as amended by Laws  
24 2004, chapter 325, section 6, is amended effective from and after June 30,  
25 2008, to read:

26          38-857. Group health and accident coverage for retired members:  
27                 payment; definition

28          A. The fund manager of the public safety personnel retirement system  
29 shall pay part of the single coverage premium of any group health and  
30 accident insurance for each retired member or survivor of the system who  
31 receives a pension and who has elected to participate in the coverage  
32 provided by section 38-651.01 or 38-782 or any other health and accident  
33 insurance coverage provided or administered by a participating employer of  
34 the system. The fund manager shall pay up to:

35           1. One hundred fifty dollars per month for each retired member or  
36 survivor of the system who is not eligible for medicare.

37           2. One hundred dollars per month for each retired member or survivor  
38 of the system who is eligible for medicare.

39          B. The fund manager of the system shall pay from assets of the fund  
40 part of the family coverage premium of any group health and accident  
41 insurance each month for a benefit recipient who elects family coverage and  
42 otherwise qualifies for payment pursuant to subsection A of this  
43 section. The fund manager shall pay up to:

1           1. Two hundred sixty dollars per month if the retired member or  
2 survivor of the system and one or more dependents are not eligible for  
3 medicare.

4           2. One hundred seventy dollars per month if the retired member or  
5 survivor of the system and one or more dependents are eligible for medicare.

6           3. Two hundred fifteen dollars per month if either:

7           (a) The retired member or survivor of the system is not eligible for  
8 medicare and one or more dependents are eligible for medicare.

9           (b) The retired member or survivor of the system is eligible for  
10 medicare and one or more dependents are not eligible for medicare.

11           C. The fund manager shall not pay from assets of the fund more than  
12 the amount prescribed in this section for a benefit recipient as a member or  
13 survivor of the system.

14           D. This section does not apply to a retired member or survivor of the  
15 system who is reemployed by this state or a political subdivision of this  
16 state and who participates in coverage provided by this state or a political  
17 subdivision of this state as an active employee.

18           E. In addition to the payments provided by subsection A of this  
19 section, through June 30, 2005, the fund manager shall pay an insurance  
20 premium benefit for medical coverage, not including limited benefit coverage  
21 as defined in section 20-1137, for each retired member or survivor of the  
22 system who is entitled to a premium benefit payment pursuant to subsection A  
23 of this section and who lives in a nonservice area as follows:

24           1. Up to three hundred dollars per month for a retired member or  
25 survivor of the system who is not eligible for medicare. From and after June  
26 30, 2003, to qualify for this additional benefit, a retired member or  
27 survivor shall pay out-of-pocket medical insurance premiums of at least one  
28 hundred twenty-five dollars per month.

29           2. Up to one hundred seventy dollars per month for a retired member or  
30 survivor of the system who is eligible for medicare. From and after June 30,  
31 2003, to qualify for this additional benefit, a retired member or survivor  
32 shall pay out-of-pocket medical insurance premiums of at least one hundred  
33 dollars per month.

34           F. In addition to the payments provided by subsection B of this  
35 section, through June 30, 2005, the fund manager shall pay an insurance  
36 premium benefit for medical coverage, not including limited benefit coverage  
37 as defined in section 20-1137, for a retired member or survivor of the system  
38 who is entitled to a premium benefit payment pursuant to subsection B of this  
39 section, who is enrolled in a family medical plan and who lives in a  
40 nonservice area as follows:

41           1. Up to six hundred dollars per month if the retired member or  
42 survivor of the system and one or more dependents are not eligible for  
43 medicare. From and after June 30, 2003, to qualify for this additional  
44 benefit, a retired member or survivor shall pay out-of-pocket medical  
45 insurance premiums of at least four hundred twenty-five dollars per month.

1           2. Up to three hundred fifty dollars per month if the retired member  
2 or survivor of the system and one or more dependents are eligible for  
3 medicare. From and after June 30, 2003, to qualify for this additional  
4 benefit, a retired member or survivor shall pay out-of-pocket medical  
5 insurance premiums of at least two hundred dollars per month.

6           3. Up to four hundred seventy dollars per month if either:

7           (a) The retired member or survivor of the system is not eligible for  
8 medicare and one or more dependents are eligible for medicare.

9           (b) The retired member or survivor of the system is eligible for  
10 medicare and one or more dependents are not eligible for medicare.

11 From and after June 30, 2003, to qualify for this additional benefit, a  
12 retired member or survivor shall pay out-of-pocket medical insurance premiums  
13 of at least four hundred dollars per month.

14           G. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION A OF THIS  
15 SECTION, BEGINNING JULY 1, 2007 THROUGH JUNE 30, 2009, THE FUND MANAGER SHALL  
16 PAY AN INSURANCE PREMIUM BENEFIT FOR MEDICAL COVERAGE, NOT INCLUDING LIMITED  
17 BENEFIT COVERAGE AS DEFINED IN SECTION 20-1137, FOR EACH MEDICARE ELIGIBLE  
18 RETIRED MEMBER OR SURVIVOR OF THE SYSTEM WHO IS ENTITLED TO A PREMIUM BENEFIT  
19 PAYMENT PURSUANT TO SUBSECTION A OF THIS SECTION AND WHO LIVES IN A  
20 NONSERVICE AREA OF UP TO ONE HUNDRED SEVENTY DOLLARS PER MONTH FOR A RETIRED  
21 MEMBER OR SURVIVOR OF THE SYSTEM WHO IS ELIGIBLE FOR MEDICARE. TO QUALIFY  
22 FOR THIS ADDITIONAL BENEFIT, A RETIRED MEMBER OR SURVIVOR SHALL PAY  
23 OUT-OF-POCKET MEDICAL INSURANCE PREMIUMS OF AT LEAST ONE HUNDRED DOLLARS PER  
24 MONTH.

25           H. IN ADDITION TO THE PAYMENTS PROVIDED BY SUBSECTION B OF THIS  
26 SECTION, BEGINNING JULY 1, 2007 THROUGH JUNE 30, 2009, THE FUND MANAGER SHALL  
27 PAY AN INSURANCE PREMIUM BENEFIT FOR MEDICAL COVERAGE, NOT INCLUDING LIMITED  
28 BENEFIT COVERAGE AS DEFINED IN SECTION 20-1137, FOR A MEDICARE ELIGIBLE  
29 RETIRED MEMBER OR SURVIVOR OF THE SYSTEM WHO IS ENTITLED TO A PREMIUM BENEFIT  
30 PAYMENT PURSUANT TO SUBSECTION B OF THIS SECTION, WHO IS ENROLLED IN A FAMILY  
31 MEDICAL PLAN AND WHO LIVES IN A NONSERVICE AREA AS FOLLOWS:

32           1. UP TO THREE HUNDRED FIFTY DOLLARS PER MONTH IF THE RETIRED MEMBER  
33 OR SURVIVOR OF THE SYSTEM AND ONE OR MORE DEPENDENTS ARE ELIGIBLE FOR  
34 MEDICARE. TO QUALIFY FOR THIS ADDITIONAL BENEFIT, A RETIRED MEMBER OR  
35 SURVIVOR SHALL PAY OUT-OF-POCKET MEDICAL INSURANCE PREMIUMS OF AT LEAST TWO  
36 HUNDRED DOLLARS PER MONTH.

37           2. UP TO FOUR HUNDRED SEVENTY DOLLARS PER MONTH IF THE RETIRED MEMBER  
38 OR SURVIVOR OF THE SYSTEM IS ELIGIBLE FOR MEDICARE AND ONE OR MORE DEPENDENTS  
39 ARE NOT ELIGIBLE FOR MEDICARE. TO QUALIFY FOR THIS ADDITIONAL BENEFIT, A  
40 RETIRED MEMBER OR SURVIVOR SHALL PAY OUT-OF-POCKET MEDICAL INSURANCE PREMIUMS  
41 OF AT LEAST FOUR HUNDRED DOLLARS PER MONTH.

42           ~~G.~~ I. A retired member or survivor of the system who is enrolled in a  
43 managed care program in a nonservice area is not eligible for the payment  
44 prescribed in subsection E, ~~or~~ F, G OR H of this section ~~if the member~~  
45 ~~terminates coverage under the managed care program.~~



1 (a) The retired member or survivor of the plan is not eligible for  
2 medicare and one or more dependents are eligible for medicare.

3 (b) The retired member or survivor of the plan is eligible for  
4 medicare and one or more dependents are not eligible for medicare.

5 C. The fund manager shall not pay more than the amount prescribed in  
6 this section for a benefit recipient as a member or survivor of the plan.

7 D. In addition to the payments provided by subsection A of this  
8 section, through June 30, 2005, the fund manager shall pay an insurance  
9 premium benefit for medical coverage, not including limited benefit coverage  
10 as defined in section 20-1137, for each retired member or survivor of the  
11 plan who is entitled to a premium benefit payment pursuant to subsection A of  
12 this section and who lives in a nonservice area as follows:

13 1. Up to three hundred dollars per month for a retired member or  
14 survivor of the plan who is not eligible for medicare. To qualify for this  
15 additional benefit, a retired member or survivor shall pay out-of-pocket  
16 medical insurance premiums of at least one hundred twenty-five dollars per  
17 month.

18 2. Up to one hundred seventy dollars per month for a retired member or  
19 survivor of the plan who is eligible for medicare. To qualify for this  
20 additional benefit, a retired member or survivor shall pay out-of-pocket  
21 medical insurance premiums of at least one hundred dollars per month.

22 E. In addition to the payments provided by subsection B of this  
23 section, through June 30, 2005, the fund manager shall pay an insurance  
24 premium benefit for medical coverage, not including limited benefit coverage  
25 as defined in section 20-1137, for a retired member or survivor of the plan  
26 who is entitled to a premium benefit payment pursuant to subsection B of this  
27 section, who is enrolled in a family medical plan and who lives in a  
28 nonservice area as follows:

29 1. Up to six hundred dollars per month if the retired member or  
30 survivor of the plan and one or more dependents are not eligible for  
31 medicare. To qualify for this additional benefit, a retired member or  
32 survivor shall pay out-of-pocket medical insurance premiums of at least four  
33 hundred twenty-five dollars per month.

34 2. Up to three hundred fifty dollars per month if the retired member  
35 or survivor of the plan and one or more dependents are eligible for medicare.  
36 To qualify for this additional benefit, a retired member or survivor shall  
37 pay out-of-pocket medical insurance premiums of at least two hundred dollars  
38 per month.

39 3. Up to four hundred seventy dollars per month if either:

40 (a) The retired member or survivor of the plan is not eligible for  
41 medicare and one or more dependents are eligible for medicare.

42 (b) The retired member or survivor of the plan is eligible for  
43 medicare and one or more dependents are not eligible for medicare.

1 To qualify for this additional benefit, a retired member or survivor shall  
2 pay out-of-pocket medical insurance premiums of at least four hundred dollars  
3 per month.

4 F. In addition to the payments provided by subsection A of this  
5 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager  
6 shall pay an insurance premium benefit for medical coverage, not including  
7 limited benefit coverage as defined in section 20-1137, for each medicare  
8 eligible retired member or survivor of the plan who is entitled to a premium  
9 benefit payment pursuant to subsection A of this section and who lives in a  
10 nonservice area of up to one hundred seventy dollars per month for a retired  
11 member or survivor of the plan who is eligible for medicare. To qualify for  
12 this additional benefit, a retired member or survivor shall pay out-of-pocket  
13 medical insurance premiums of at least one hundred dollars per month.

14 G. In addition to the payments provided by subsection B of this  
15 section, beginning July 1, 2005 through June 30, ~~2007~~ 2009, the fund manager  
16 shall pay an insurance premium benefit for medical coverage, not including  
17 limited benefit coverage as defined in section 20-1137, for a medicare  
18 eligible retired member or survivor of the plan who is entitled to a premium  
19 benefit payment pursuant to subsection B of this section, who is enrolled in  
20 a family medical plan and who lives in a nonservice area as follows:

21 1. Up to three hundred fifty dollars per month if the retired member  
22 or survivor of the plan and one or more dependents are eligible for  
23 medicare. To qualify for this additional benefit, a retired member or  
24 survivor shall pay out-of-pocket medical insurance premiums of at least two  
25 hundred dollars per month.

26 2. Up to four hundred seventy dollars per month if the retired member  
27 or survivor of the plan is eligible for medicare and one or more dependents  
28 are not eligible for medicare. To qualify for this additional benefit, a  
29 retired member or survivor shall pay out-of-pocket medical insurance premiums  
30 of at least four hundred dollars per month.

31 H. A retired member or survivor of the plan who is enrolled in a  
32 managed care program in a nonservice area is not eligible for the payment  
33 prescribed in subsection D, E, F or G of this section ~~if the member~~  
34 ~~terminates coverage under the managed care program.~~

35 I. A retired member or survivor of the plan may elect to purchase  
36 individual health care coverage and receive a payment pursuant to this  
37 section through the retired member's employer if that employer assumes the  
38 administrative functions associated with the payment, including verification  
39 that the payment is used to pay for health insurance coverage if the payment  
40 is made to the retired member or survivor of the plan.

41 J. For the purposes of this section, "nonservice area" means an area  
42 in this state in which the Arizona state retirement system pursuant to  
43 section 38-782, the department of administration pursuant to section  
44 38-651.01 or the member's or survivor's participating employer does not  
45 provide or administer a health care services organization program, excluding

1 any preferred provider organization program or individual health indemnity  
2 policy, for which the retired member or survivor of the plan is eligible.

3 Sec. 6. Emergency

4 This act is an emergency measure that is necessary to preserve the  
5 public peace, health or safety and is operative immediately as provided by  
6 law.